

Senate Study Bill 3287

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act authorizing certain special charter cities to impose a
2 local economic development sales and services tax.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 6595SC 82
5 tw/sc/5

PAG LIN

1 1 Section 1. NEW SECTION. 423F.1 ECONOMIC DEVELOPMENT
1 2 SALES AND SERVICES TAX.
1 3 1. Subject to the provisions of this chapter, a special
1 4 charter city with a population greater than seventy-five
1 5 thousand may impose by ordinance an economic development sales
1 6 and services tax at the rate of one percent on the sales price
1 7 taxed by the state under chapter 423, subchapter II.
1 8 a. An economic development sales and services tax shall be
1 9 imposed on the same basis as the state sales and services tax
1 10 or, in the case of the use of natural gas, natural gas
1 11 service, electricity, or electric service, on the same basis
1 12 as the state use tax.
1 13 b. An economic development sales and services tax shall
1 14 not be imposed on the sale of any property or on any service
1 15 not taxed by the state, except the tax shall not be imposed on
1 16 the sales price from the sale of motor fuel or special fuel as
1 17 defined in chapter 452A which is consumed for highway use or
1 18 in watercraft or aircraft if the fuel tax is paid on the
1 19 transaction and a refund has not or will not be allowed, on
1 20 the sales price from the sale of equipment by the state
1 21 department of transportation, or on the sales price from the
1 22 sale or use of natural gas, natural gas service, electricity,
1 23 or electric service in a city where the sales price from the
1 24 sale of natural gas or electric energy is subject to a
1 25 franchise fee or user fee during the period the franchise or
1 26 user fee is imposed.
1 27 c. An economic development sales and services tax is
1 28 applicable to transactions within the incorporated areas of
1 29 the special charter city where it is imposed and shall be
1 30 collected by all persons required to collect state sales
1 31 taxes.
1 32 d. The amount of the sale, for purposes of determining the
1 33 amount of the economic development sales and services tax,
1 34 does not include the amount of any state sales tax or other
1 35 local option sales and services taxes.
2 1 e. A tax permit other than the state sales tax permit
2 2 required under section 423.36 shall not be required by local
2 3 authorities.
2 4 2. If an economic development sales and services tax is
2 5 imposed by a city pursuant to this chapter, a local excise tax
2 6 at the same rate shall be imposed by the city on the purchase
2 7 price of natural gas, natural gas service, electricity, or
2 8 electric service subject to tax under chapter 423, subchapter
2 9 III, and not exempted from tax by any provision of chapter
2 10 423, subchapter III. The local excise tax is applicable only
2 11 to the use of natural gas, natural gas service, electricity,
2 12 or electric service within the incorporated areas of the city
2 13 where it is imposed and, except as otherwise provided in this
2 14 chapter, shall be collected and administered in the same
2 15 manner as the economic development sales and services tax.
2 16 For purposes of this chapter, "economic development sales and
2 17 services tax" shall also include the local excise tax.
2 18 3. An economic development sales and services tax under

2 19 this chapter may be imposed in addition to any local sales and
2 20 services tax imposed under chapter 423B in an area of the
2 21 city.
2 22 Sec. 2. NEW SECTION. 423F.2 ELECTION == IMPOSITION ==
2 23 REPEAL.
2 24 1. ELECTION REQUIREMENT. An economic development sales
2 25 and services tax shall be imposed pursuant to this chapter
2 26 only after an election at which a majority of those voting on
2 27 the question favors imposition and shall then be imposed until
2 28 repealed as provided in this section.
2 29 2. MANNER OF ELECTION. The question of whether an
2 30 economic development sales and services tax shall be imposed
2 31 in a special charter city shall be submitted to the voters by
2 32 one of the following methods:
2 33 a. Upon its own motion, the governing body of the city may
2 34 within thirty days of adoption of the motion direct the county
2 35 commissioner of elections to submit the question of the
3 1 imposition of an economic development sales and services tax
3 2 to the registered voters of the city.
3 3 b. Upon the receipt of a petition signed by the residents
3 4 of the city, the governing body of the city shall within
3 5 thirty days direct the county commissioner of elections to
3 6 submit the question of the imposition of an economic
3 7 development sales and services tax to the registered voters of
3 8 the city. A petition requesting imposition of an economic
3 9 development sales and services tax shall be signed by a number
3 10 of eligible electors of the city equal to five percent of the
3 11 persons in the city who voted in the most recent general
3 12 election.
3 13 3. TIMING AND BALLOT REQUIREMENTS.
3 14 a. The county commissioner of elections shall submit the
3 15 question of imposition of an economic development sales and
3 16 services tax at the general election, at the regular city
3 17 election, or at a special election called for that purpose.
3 18 The election shall not be held sooner than sixty days after
3 19 publication of notice of the ballot proposition.
3 20 b. The ballot proposition shall specify the date the tax
3 21 will be imposed. The date of imposition shall be as provided
3 22 in section 423F.3, subsection 1.
3 23 c. The ballot proposition shall contain a statement of the
3 24 purposes for which the revenues shall be expended. Moneys
3 25 collected from an economic development sales and services tax
3 26 shall be expended pursuant to section 423F.4, subsection 3.
3 27 d. When submitting the question of the imposition of an
3 28 economic development sales and services tax, the governing
3 29 body of the city may direct that the ballot question contain a
3 30 provision for the repeal, without election, of the tax on a
3 31 specific date, which date shall be as provided in section
3 32 423F.3, subsection 1.
3 33 e. If a majority of those voting on the question of
3 34 imposition of the economic development sales and services tax
3 35 favors imposition of the tax, the governing body of the city
4 1 shall impose the tax at the rate specified in section 423F.1,
4 2 subsection 1, for an unlimited period.
4 3 4. REPEAL BY ELECTION.
4 4 a. An economic development sales and services tax may be
4 5 repealed after an election at which a majority of those voting
4 6 on the question of repeal favored the repeal. The date on
4 7 which the repeal takes effect shall not be earlier than ninety
4 8 days following the election.
4 9 b. The election at which the question of a repeal of the
4 10 economic development sales and services tax is submitted to
4 11 the registered voters shall be called and held in the same
4 12 manner and under the same conditions as provided in
4 13 subsections 2 and 3.
4 14 5. NOTICE TO THE DIRECTOR OF REVENUE. Within ten days of
4 15 the election at which a majority of those voting on the
4 16 question favors the imposition or repeal of an economic
4 17 development sales and services tax, the county auditor shall
4 18 give written notice of the result of the election by sending a
4 19 copy of the abstract of the votes from the election to the
4 20 director of revenue. The director shall have the authority to
4 21 waive the notice requirement.
4 22 Sec. 3. NEW SECTION. 423F.3 ADMINISTRATION.
4 23 1. a. An economic development sales and services tax
4 24 shall be imposed either January 1 or July 1 following the
4 25 notification of the director of revenue but not sooner than
4 26 ninety days following the passage of the ordinance and not
4 27 sooner than sixty days following notice to sellers, as defined
4 28 in section 423.1.
4 29 b. An economic development sales and services tax shall be

4 30 repealed only on June 30 or December 31, but not sooner than
4 31 ninety days following the repeal of the ordinance. However, a
4 32 local sales and services tax shall not be repealed before the
4 33 tax has been in effect for one year.

4 34 c. At least forty days before the imposition or repeal of
4 35 the tax, a city shall provide notice of the action by
5 1 certified mail to the director of revenue.

5 2 d. The imposition of an economic development sales and
5 3 services tax shall not be applied to purchases from a printed
5 4 catalog wherein a purchaser computes the local tax based on
5 5 rates published in the catalog unless a minimum of one hundred
5 6 twenty days' notice of the imposition has been given to the
5 7 seller and the first day of a calendar quarter has occurred on
5 8 or after the one hundred twentieth day.

5 9 2. a. The director of revenue shall administer an
5 10 economic development sales and services tax as nearly as
5 11 possible in conjunction with the administration of state sales
5 12 tax laws. The director shall provide appropriate forms or
5 13 provide space on the regular state tax forms for reporting
5 14 economic development sales and services tax liability.

5 15 b. The ordinance of a city imposing an economic
5 16 development sales and services tax shall adopt by reference
5 17 the applicable provisions of the appropriate sections of
5 18 chapter 423. All powers and requirements of the director to
5 19 administer the state sales tax law and use tax law are
5 20 applicable to the administration of an economic development
5 21 sales and services tax law and the local excise tax, including
5 22 but not limited to the provisions of section 422.25,
5 23 subsection 4, sections 422.30, 422.67, and 422.68, section
5 24 422.69, subsection 1, sections 422.70 to 422.75, section
5 25 423.14, subsection 1 and subsection 2, paragraphs "b" through
5 26 "e", and sections 423.15, 423.23, 423.24, 423.25, 423.31 to
5 27 423.35, 423.37 to 423.42, 423.46, and 423.47. Local officials
5 28 shall confer with the director of revenue for assistance in
5 29 drafting the ordinance imposing an economic development sales
5 30 and services tax. A certified copy of the ordinance shall be
5 31 filed with the director as soon as possible after passage of
5 32 the ordinance.

5 33 c. Frequency of deposits and quarterly reports of an
5 34 economic development sales and services tax with the
5 35 department of revenue are governed by the tax provisions in
6 1 section 423.31. Local tax collections shall not be included
6 2 in computation of the total tax to determine frequency of
6 3 filing under section 423.31.

6 4 d. The director shall apply a boundary change of a city
6 5 imposing or collecting the economic development sales and
6 6 services tax to the imposition or collection of that tax only
6 7 on the first day of a calendar quarter which occurs sixty days
6 8 or more after the director has given notice of the boundary
6 9 change to sellers.

6 10 3. a. The director, in consultation with local officials,
6 11 shall collect and account for an economic development sales
6 12 and services tax. The director shall certify each quarter the
6 13 amount of sales and services tax receipts and any interest and
6 14 penalties to be credited to an economic development sales and
6 15 services tax fund of that city established in the office of
6 16 the treasurer of state. All taxes collected under this
6 17 chapter by a retailer or any individual are deemed to be held
6 18 in trust for the state of Iowa and the local jurisdictions
6 19 imposing the taxes.

6 20 b. All local tax moneys and interest and penalties
6 21 received or refunded one hundred eighty days or more after the
6 22 date on which the city repeals its economic development sales
6 23 and services tax shall be deposited in or withdrawn from the
6 24 general fund of the state.

6 25 Sec. 4. NEW SECTION. 423F.4 PAYMENT TO THE CITY == USE
6 26 OF RECEIPTS.

6 27 1. The director shall credit the economic development
6 28 sales and services tax receipts and interest and penalties
6 29 from a city-imposed tax to the city's economic development
6 30 sales and services tax fund.

6 31 2. a. The director of revenue by August 15 of each fiscal
6 32 year shall send to the city where the economic development tax
6 33 is imposed an estimate of the amount of tax moneys the city
6 34 will receive for the year and for each month of the year. At
6 35 the end of each month, the director may revise the estimates
7 1 for the year and remaining months.

7 2 b. The director of revenue shall remit ninety-five percent
7 3 of the estimated tax receipts for the city to the city on or
7 4 before August 31 of the fiscal year and on or before the last
7 5 day of each following month.

7 6 c. The director of revenue shall remit a final payment of
7 7 the remainder of tax moneys due the city for the fiscal year
7 8 before November 10 of the next fiscal year. If an overpayment
7 9 has resulted during the previous fiscal year, the November
7 10 payment shall be adjusted to reflect any overpayment.

7 11 3. All economic development sales and services tax
7 12 revenues received by the city under this chapter shall be
7 13 deposited in a special fund of the city and shall be used as
7 14 follows:

7 15 a. Ninety percent of the moneys shall be used for purposes
7 16 of economic development.

7 17 b. Ten percent of the moneys shall be used for purposes of
7 18 public safety.

7 19 EXPLANATION

7 20 This bill authorizes special charter cities of 75,000 or
7 21 more in population to impose a 1 percent local sales and
7 22 services tax on the same basis as the state sales tax or in
7 23 the case of the use of natural gas, natural gas service,
7 24 electricity, or electricity service on the same basis as the
7 25 state use tax.

7 26 The tax cannot be imposed unless approved at an election.
7 27 The issue can be submitted either upon a motion by the
7 28 governing body of a city or by petition of 5 percent of the
7 29 eligible electors in the city.

7 30 The question of the imposition of the tax must be submitted
7 31 at a general election, a regular city election, or at a
7 32 special election on the issue. The ballot proposition for the
7 33 tax must include certain information including the type and
7 34 rate of the tax, the date it will be imposed, and the purposes
7 35 for which the revenues shall be expended.

8 1 The tax can be repealed at election by a majority vote, or
8 2 a repeal date can be included on the ballot at the election
8 3 where its imposition is proposed. A vote to repeal the tax
8 4 must be conducted in the same manner as the election imposing
8 5 the tax.

8 6 All revenues collected from a local economic development
8 7 sales and services tax must be spent by the city as follows:
8 8 90 percent for economic development and 10 percent for public
8 9 safety.

8 10 LSB 6595SC 82

8 11 tw/sc/5